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Subcommittee
TRAC Sales Tax Report Section by Section Summary

1. State Vendors

Adds new code section 11-35-XXX.

All affiliates of state vendors must collect and remit sales taxes on sales made (typically through the internet) to state residents.

2. Services and Intangibles

Modifies code section 12-36-60.

Adds certain services (to be provided later) and data processing, software delivered over the internet, and digital products (e.g., music, books and movies) to the list of intangibles subject to the sales tax.

TRAC subcommittee is still studying services.

3. Attributional Nexus

Adds new code section 12-36-71.

Adds "Amazon" attributional nexus provision. Any out of state retailer with sales to South Carolina residents in excess of \$10,000 a year, who has a contractual agreement with a South Carolina resident to refer business, is subject to sales tax.

4. Attributional Nexus

Modifies code section 12-36-80.

Requires affiliates of companies with "bricks and mortar" in this state (i.e. stores physically located in South Carolina) to collect sales taxes on sales over the internet.

Gross Proceeds

Modifies code section 12-36-90.

Adds installation charges to sales tax base; repeals exemption for motor vehicles with dealer tags.

6. Definition of "Retail Sale"

Modifies code section 12-36-110.

Repeals exemption for automobiles with dealer tags as well as cores, labels and sacks.

7. Definition of "Sales Price"

Modifies code section 12-36-130.

Adds installation charges accompanying the sales of goods.

8. Advertising Materials

Modifies section 12-36-140.

Repeals exemptions for direct mail promotional advertising materials.

9. Definition of "Computer Software"

Adds new code section 12-36-160.

This section defines the types of computer software are taxable. Eliminates the current distinctions among canned versus custom and other delivery methods. Uses definitions from the Simplified Sales and Use Tax Act (SSUTA).

10. Definition of "Digital Goods"

Adds new code section 12-36-170.

This section details the types of digital goods are taxable. Uses definitions of digital audio-visual works, digital audio works and digital books from the SSUTA.

11. Definition of "Data Processing"

Adds new code section 12-36-180.

This section details the types of digital goods that would be taxable.

12. Sales Tax Rate

Modifies code section 12-36-910.

Repeals 5 cent sales tax rate (new lower rate to be inserted when BEA scores the bill). Adds computer software, digital goods and data processing. Repeals exemption for data processing.

13. Additional One Cent Sales Tax

Modifies code section 12-36-1110.

Repeals exemption for additional one cent tax for items subject to sales tax cap and for unprepared food.

14. Use Tax

Modifies code section 12-36-1310.

Adds computer software, digital goods, and data processing to general the list of items subject to the use tax. Lowers the use tax rate (lower rate to be determined when BEA scores the bill).

15. Attributional Nexus

Modifies code section 12-36-1340.

Persons soliciting through independent contractors are required to obtain a sales tax license.

6. Sales Tax Cap

Modifies code section 12-36-2110.

In Section 1 the sales tax cap is increased from \$300 to \$600 in 2011; \$1000 in 2012, and \$1,200 in 2013; repeals sales tax cap on sales of light construction equipment and manufactured housing; imposes cap on railroad cars vessels and barges.

In Section 2 the caps for motor vehicles and motorcycles are repealed in 2014.

17. Exemptions From Sales Tax

Modifies code section 12-36-2120.

- (2) Repeals the exemptions for sales to the federal government.
- (5) The sales tax exemption for feed used for the production of poultry and livestock is deleted in (4) and recodified in (6).
- (6) The agricultural sales tax exemption is amended to add feed (from (4)) and fuel and to clarify the exemption applies to livestock "for sale".
- (7) The sales tax exemption for containers and labels used for agricultural purposes is repealed.
- (8) The sales tax exemption for the retail sales of newspapers is repealed.
- (9) The sales tax exemption for the sale of fuel to manufacturers is amended to include recycling.
- (11) The exemption for toll charges and telegraph messages is repealed.
- (12) The exemptions for water sold by public utilities and certain non-profit corporations are repealed and are made subject to a tax rate of fifty percent of the base tax rate on gross proceeds of sales. (This will equate to a sales tax rate of 2.5% or lower.)
- (14) The exemption for wrapping paper and containers is repealed.

- (15) [TRAC fuel tax subcommittee is still considering proposals.]
- (17) Obsolete provisions relating to recycling machines are repealed
- (18) The exemption for fuel used to cure agricultural products is repealed (and codified in (6)).
- (19) The exemption for electricity sold to manufacturers is amended to include recyclers and the exemption for cotton gins is repealed (and recodified in (6)).
- (20) The exemption for locomotives and railroad cars is repealed (and made subject to sales tax cap).
- (21) The exemption for barges and vessels of more than fifty tons is repealed (and made subject to sales tax cap).
- (23) The exemption for farm products sold by producers is repealed.
- (25) The exemption for sales of motor vehicles to non-resident members of the armed forces is repealed (and made consistent with sales to resident members of the armed forces).
- (26) The exemption for sales of supplies, machinery and electricity to television, cable television stations, and radio stations is repealed.
- (27) The exemption for sales of plants and animals to public zoos and gardens is repealed.
- (28) The various exemptions for prescription drugs, devices, prosthetics and supplies are repealed and are made subject to a tax rate of fifty percent of the base tax rate on gross proceeds of sales. (This will equate to a sales tax rate of 2.5% or lower.)
- (29) This federal government exemption is repealed similar to item 2.
- (31) The exemption for vacation time share plans is repealed.
- (32) The exemption for fuel and electricity used for agricultural purposes is repealed and recodified in (6).

- (33) The complete exemption for sales of electricity for residential purposes is repealed and is made subject to a tax rate of fifty percent of the base tax rate on gross proceeds of sales.
- (This will equate to a sales tax rate of 2.5% or lower.)
- (34) The fifty percent exemption for modular homes is amended to include manufactured housing.
- (38) The exemption for sales of hearing aids is repealed.
- (39) The exemption for sales made by certain festivals is repealed.
- (40) The exemption for sales of containers made to international shipping lines with contracts with the SCSPA is repealed.
- (41) The exemption for sales by non-profit gift shops is repealed.
- (43) The exemptions for sales to "motion picture companies" is repealed.
- (44) The exemption for electricity used to irrigate crops is repealed (and recodified in (6)).
- (45) The exemption for building supplies used to construct housing for chicken coops and livestock is repealed.
- (47) The exemption for all sales of tangible personal property to certain hospitals is repealed.
- (48) The exemption for sales of solid waste disposal bags is repealed.
- (49) The exemption for postage purchased by direct mail advertising agencies is repealed.
- (50) The various exemptions for recycling property are repealed (and partially recodified in (9)).
- (51) The minimum capital investment required for the material handling exemption is clarified to require the minimal capital investment to be made at a single site.
- (53) The exemption for motor vehicle extended service and warranty contracts is repealed.
- (54) The exemption for clothing used in Class 100 clean rooms is repealed.

- (57) The sales tax holiday for school supplies is amended to only include school supplies (and not, e.g., wedding dresses or towels) purchased by students (and not, e.g., law firms).
- (58) The exemption for direct mail promotional materials is repealed.
- (59) An obsolete exemption for facilities for transmitting electricity is repealed.
- (63) The exemption for medicines and supplies sold to healthcare clinics which provide services without charge is broadened to include charitable hospitals.
- (64) The exemption for sales of sweetgrass baskets is repealed.
- (68) The exemption for sheriff's sales is repealed.
- (70) The exemption for sales of gold or bullion is repealed.
- (71) The exemption for machinery and equipment for hydrogen fuel cells is repealed.
- (72) The exemption for building materials used in Research Districts is repealed.
- (74) Sales of durable medical equipment and prosthetic devices are made subject to a sales tax of fifty percent of the gross proceeds of sales.
- (75) The exemption for the sales of unprepared food is repealed and made subject to a sales tax on fifty percent of the gross proceeds. (This will equate to a sales tax rate of 2.5% or lower.)
- (76) The sales tax holiday for guns is repealed.
- (77) The exemption for energy efficient products which was struck down by the South Carolina Supreme Court is repealed.

18. Discount for timely payment of tax

Modifies code section 12-36-2610.

Reduces the vendor discount for timely payment of sales taxes from \$3,000 to \$1,000 (mailed returns) and \$3,100 to \$1,500 (electronically filed returns).

19. Sales Tax on Individuals 85 Years or Older

Modifies code section 12-36-2620.

Repeals the general one percent sales tax exemption for persons 85 years and older.

20. ATAX on Persons 85 Years of Age

Modifies code section 12-36-2630.

Repeals the accommodations tax exemption for persons 85 years and older.

21. Sales Tax on Individuals 85 Years or Older

Modifies code section 12-36-2640.

Repeals the casual excise tax exemption for persons 85 years and older.

22. Sales Tax on Banks

Eliminates code section 12-36-2646.

Repeals the sales tax exemption for banks.

23. Sales Tax on Savings and Loans

Modifies code section 12-11-30.

Repeals the sales tax exemption for savings and loans.

24. Posting of Sales Tax Discount For Persons 85 and Older

Modifies code section 12-13-50.

This provision becomes obsolete with the repeal of the sales tax exemptions for persons 85 and older.

25. South Carolina Research Authority

Modifies code section 13-17-90.

Repeals the sales tax exemption for the SCRA (conforms the SCRA to other state and local governments which are required to pay sales taxes).

26. Life and Accident Health Insurance Guaranty Fund

Modifies code section 38-29-150.

Repeals the sales tax exemption for the Life and Accident Health Insurance Guaranty Fund (conforms the Fund to other state agencies).

27. Property and Casualty Insurance Guaranty Fund

Modifies code section 38-31-130.

Repeals the sales tax exemption for Property and Casualty Insurance Guaranty Fund. (conforms the fund to other state agencies)

28. Regional Health Service Districts

Modifies code section 44-7-2120.

Repeals the sales tax exemption for Regional Health Services Districts. (conforms districts to other hospitals)

TEMPORARY PROVISOS

29. 2nd Amendment Sales Tax Holiday

Eliminates House Bill 4567, Part IB, Section 89, Proviso 89.107.

Repeals the Second Amendment Sales Tax Holiday.

30. Viscosupplementation Therapies

Eliminates House Bill 4657, Part IB, Section 89, Proviso 89.77.

Repeals the sales tax exemption for viscosupplementation therapies.

31. Respiratory Syncytial Virus Medicines Exemption

Eliminates House Bill 4657, Part IB, Section 89, Proviso 89.72 (R293).

Repeals the sales tax exemption for respiratory syncytial virus medicines

32. Private Schools Use Tax Exemption

Eliminates House Bill 4657, Part IB, Section 89, Proviso 89.47.

Repeals the use tax exemption for private schools.